



March 29, 2012

Ms. Sharon Gillett
Chief, Wireline Competition Bureau
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

**Re: WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109
Written *Ex Parte* Communication**

Dear Ms. Gillett:

Valley Telephone Cooperative, Inc. ("Valley" or the "Cooperative") hereby notifies the Federal Communications Commission ("FCC" or "Commission") of its intent to seek waiver of rules limiting reimbursable capital and operating costs if the Wireline Competition Bureau adopts the proposed quantile regression analysis methodology for High Cost Loop Support and Interstate Common Line Support. This methodology is currently under consideration in the Further Notice of Proposed Rulemaking ("FNPRM") in the *USF-ICC Order*.¹

Valley has reviewed the results of impact statements run by its cost consultant and has found that if the proposed regression analysis was adopted, the Cooperative would be significantly "clipped" beginning July 1, 2012. In discussions with its cost consultant, it appears that the only reason why the Cooperative has been clipped is due to the efforts that it has undertaken over the last several years to invest in its network to bring reliable telecom and high-speed broadband services to its members.

Valley provides telecom and broadband service to its members in rural portions of Texas. As a cooperative, Valley has a mandate to provide the same quality of services to all of its members. In fulfilling this mandate, the Cooperative has worked diligently over the last several years developing and implementing a business plan utilizing the rules that were in place, in order to bring high-speed broadband as well as reliable telecom services to its members. Not only has this

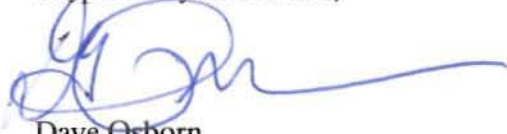
¹ See *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carrier; High-Cost Universal Service Support; Developing an Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011) ("*USF-ICC Order*").

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been a significant achievement for this small business enterprise, but it also has furthered the objectives of universal service set forth in the Communications Act of 1934, as amended, and of the National Broadband Plan.

Accordingly, if this methodology is adopted, "good cause" would exist for waiving the rule implementing this methodology,² especially in light of the fact that the particular facts in this case make strict compliance inconsistent with the public interest.³ Further, waiving the rule would be in the public interest since all of the comments that have been received on this methodology have shown that it is fundamentally flawed and that there are a myriad of technical problems associated with the methodology.⁴ Even the "father of quantile regression analysis" submitted a paper which stated that the Commission's use of this analysis would "lead to serious distortions in support if applied to high cost loop support or other high-cost support calculations"⁵ and a peer review conducted by economists in other Bureaus revealed numerous flaws.⁶

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Dave Osborn", with a long horizontal flourish extending to the right.

Dave Osborn
CEO
Valley Telephone Cooperative, Inc

² The FCC's rules may be waived for "good cause" shown. See 47 C.F.R. § 1.3.

³ See *Northeast Cellular Telephone co. v. FCC*, 897 F.2d 1164, 1166 (D.C. Cir. 1990) (Northeast Cellular).

⁴ No comments were filed that supported adoption of the methodology.

⁵ See Comments of the National Exchange Carrier Association, Inc., the National Telecommunications Cooperative Association, the Organization for the Promotion and Advancement of Small Telecommunications Companies and the Western Telecommunications Alliance, WC Docket No. 10-90 et. al, filed Jan. 18, 2012, Appendix E.

⁶ See Letter from Patrick Halley, Legal Counsel, Wireline Competition Bureau, to Marlene Dortch, Secretary, WC Docket No. 10-90 et al. (dated Mar. 9, 2012), Appendix B and Appendix C.